

MULLIKEN DISTRICT LIBRARY
MULLIKEN, MICHIGAN

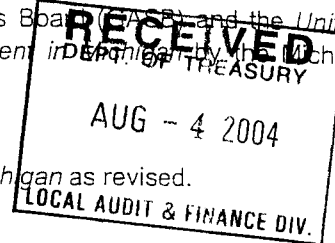
FINANCIAL REPORT
FOR THE YEAR ENDED MARCH 31, 2004

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <i>Mulliken DC, Fire Library</i>	County
Audit Date <i>3/10/04</i>	Opinion Date <i>6/24/04</i>	Date Accountant Report Submitted to State: <i>7/20/04</i>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government issued by the Michigan Department of Treasury.



We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <i>Barry E. Ganderth, CPA, PC</i>			
Street Address <i>1107 E. 8th Street</i>	City <i>Traverse City</i>	State <i>MI</i>	ZIP <i>49686</i>
Accountant Signature <i>Barry E. Ganderth, CPA</i>			

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INTRODUCTORY SECTION

Members of the Board
Mulliken District Library
Mulliken, Michigan

Independent Auditor's Report

We have audited the accompanying financial statements of the Mulliken District Library, Michigan, as of and for the year ended March 31, 2004 as listed in the table of contents. These financial statements are the responsibility of the Mulliken District Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Mulliken District Library, Michigan, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Barry E. Gaudette, CPA, P.C.

June 24, 2004

FINANCIAL STATEMENTS

MULLIKEN DISTRICT LIBRARY
COMBINED BALANCE SHEET
GENERAL FUND AND ACCOUNT GROUPS
MARCH 31, 2004
=====

	General Fund	General Fixed Assets Account Group	Long Term Debt Account Group	Totals (Memorandum Only) March 31, 2004	2003
<u>ASSETS</u>					
Cash - checking	\$ 34,547	\$	\$	\$ 34,547	\$ 36,117
Building & equipment		246,116		246,116	246,116
Amount to be provided for Debt retirement			27,502	27,502	37,196
 TOTAL ASSETS	 \$ 34,547	 \$246,116	 \$ 27,502	 \$308,165	 \$319,429
<u>LIABILITIES & FUND EQUITY</u>					
CURRENT LIABILITIES:					
Current portion of long-term debt	\$	\$	\$ 5,500	\$ 5,500	\$ 5,500
LONG-TERM LIABILITIES:					
Mortgage payable			22,002	22,002	31,696
Total Liabilities			27,502	27,502	37,196
FUND EQUITY:					
Fund Balance:					
Unrestricted	34,547			34,547	36,117
Investment in Fixed Assets		246,116		246,116	246,116
Total Fund Equity	34,547	246,116		280,663	282,233
 TOTAL LIABILITIES & FUND EQUITY	 \$ 34,547	 \$246,116	 \$ 27,502	 \$308,165	 \$319,429

See notes to financial statements

MULLIKEN DISTRICT LIBRARY
**COMBINED STATEMENTS OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 ALL GOVERNMENTAL FUND TYPES**
 FOR THE YEAR ENDED MARCH 31, 2004

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	Governmental <u>Fund Type</u>	<u>Totals</u> (Memorandum Only)	
	<u>General Fund</u>	Year Ended March 31, 2004	2003
REVENUES:			
Operating millage	\$ 36,321	\$ 36,321	\$ 36,180
Millage-Roxand	7,980	7,980	7,545
Penal fines	7,565	7,565	8,222
Millage-Mulliken	3,990	3,990	3,772
Video rentals	1,178	1,178	1,236
State aid	1,077	1,077	1,592
Video fines	723	723	588
Donations	566	566	969
Staff books	566	566	455
Book fines	531	531	651
Copier	462	462	478
Checking interest	276	276	479
Fax machine	271	271	179
Used books	193	193	59
Miscellaneous	167	167	4,097
Lost books	45	45	67
	<u>61,911</u>	<u>61,911</u>	<u>66,569</u>
TOTAL OPERATING REVENUES	<u>61,911</u>	<u>61,911</u>	<u>66,569</u>

MULLIKEN DISTRICT LIBRARY
**COMBINED STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE**
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED MARCH 31, 2004
(Continued)

	Governmental Fund Type	Totals (Memorandum Only)	
		Year Ended March 31,	
		2004	2003
EXPENDITURES:			
Salaries	18,858	18,858	20,528
Debt retirement	12,000	12,000	22,000
Books	10,281	10,281	10,054
Utilities	3,539	3,539	3,554
Video tapes	2,831	2,831	2,547
Technology	2,038	2,038	2,250
Insurance	1,581	1,581	1,975
Payroll taxes	1,503	1,503	1,370
Board expenses	1,425	1,425	1,490
Custodial contract	1,325	1,325	1,200
Repair & maintenance	1,218	1,218	1,826
Miscellaneous	1,081	1,081	426
Dues/audit	938	938	675
Secretary & treasurer wages	900	900	1,000
Business supplies	837	837	904
Magazines	790	790	784
Copier expense	578	578	547
Staff books	559	559	455
Mileage	316	316	296
Workshops & meals	227	227	239
Cleaning supplies	88	88	172
Advertising	30	30	30
Capital Library Co-op (CLC)	538	538	796
TOTAL OPERATING EXPENSES	63,481	63,481	75,118
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,570)	(1,570)	(8,549)
FUND BALANCE, beginning	36,117	36,117	44,666
FUND BALANCE, ending	\$ 34,547	\$ 34,547	\$ 36,117

See notes to financial statements

MULLIKEN DISTRICT LIBRARY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
 FOR THE YEAR ENDED MARCH 31, 2004

	<u>Original Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Operating millage	\$ 36,350	\$ 36,321	
Millage-Roxand	8,000	7,980	\$
Penal fines	7,000	7,565	
Millage-Mulliken	4,000	3,990	
Video rentals	1,000	1,178	
State aid	1,674	1,077	
Video fines	700	723	
Donations	500	566	
Staff books	500	566	
Book fines	500	531	
Copier	500	462	
Checking interest	500	276	
Fax machine	200	271	
Used books	100	193	
Miscellaneous	36,797	167	
Lost books	<u>100</u>	<u>45</u>	
 TOTAL OPERATING REVENUES	 <u>98,421</u>	 <u>61,911</u>	 <u>(36,510)</u>

MULLIKEN DISTRICT LIBRARY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
 FOR THE YEAR ENDED MARCH 31, 2004
 (CONTINUED)

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENDITURES:			
Salaries	20,000	18,858	
Debt retirement	12,000	12,000	
Books	10,000	10,281	
Utilities	4,000	3,539	
Video tapes	2,500	2,831	
Technology	2,500	2,038	
Insurance	2,000	1,581	
Payroll taxes	1,700	1,503	
Board expenses	2,100	1,425	
Custodial contract	1,300	1,325	
Repair & maintenance	4,500	1,218	
Miscellaneous	29,371	1,081	
Dues/audit	800	938	
Secretary & treasurer wages	900	900	
Business supplies	1,000	837	
Magazines	700	790	
Copier expense	600	578	
Staff books	500	559	
Mileage	500	316	
Workshops & meals	350	227	
Cleaning supplies	200	88	
Advertising	50	30	
Capital Library Co-op (CLC)	800	538	
TOTAL OPERATING EXPENSES	<u>98,371</u>	<u>63,481</u>	<u>34,890</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	50	(1,570)	(1,620)
FUND BALANCE, April 1, 2003	<u>40,464</u>	<u>36,117</u>	<u>(4,347)</u>
FUND BALANCE, March 31, 2004	<u>\$ 40,514</u>	<u>\$ 34,547</u>	<u>\$ (5,967)</u>

See notes to financial statements

MULLIKEN DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004
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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Mulliken District Library have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Township Library are described below.

A. Reporting Entity

The Mulliken District Library is an independent governmental entity that was formed jointly by local units of government to provide library services to residents of the Village of Mulliken and surrounding townships.

B. Basis of Presentation

The accounting policies of Mulliken District Library conform to generally accepted accounting principles as applicable to public libraries.

Fund Accounting

The accounts of the Library are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds of the Library are as follows:

General Operating Fund

The General Operating (Special Revenue) Fund is used to control the expenditure of state and local revenues which are legally restricted for library purposes.

MULLIKEN DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004
(Continued)
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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Presentation - Continued

General Fixed Asset Account Group

The General Fixed Asset Account Group is a self-balancing group of accounts used to establish accounting control over the fixed assets of the District Library.

General Long-Term Debt Account Group

The General Long-Term Account Group is a self-balancing group of accounts established to account for the unmatured general long-term debt of the District Library.

Inexhaustible Collections and Books

Because the values of the existing inexhaustible collections, including research books, are not readily determinable, the library has not capitalized them. Accessions and de accessions during the fiscal year were not significant. Books used in the circulating library have not been capitalized because their estimated useful lives are less than one year.

Fixed Assets and Long-Term Liabilities

Fixed assets used in the District Library's operations are accounted for in a General Fixed Assets Account Group. Fixed assets are recorded as capital expenditures at the time of purchase in the General Operating Fund and subsequently capitalized in the General Fixed Assets Account Group. All fixed assets are recorded at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

Long-term liabilities expected to be financed from the District Library's General Operating Fund are accounted for in the General Long-Term Debt Account Group, not in the operating fund. Payments due on long-term debt are recorded as expenditures on their due dates in the General Operating Fund.

MULLIKEN DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004
(Continued)
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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Basis of Accounting - Continued

Modified Accrual

The Governmental Fund Type (General Fund) is accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

Taxpayer-assessed income, gross receipts and sales taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seem certain.

D. Cash and Cash Investments

Deposits are carried at cost. Deposits of the Library are at one bank and in the name of Mulliken District Library. Act 217, P.A. 1982, authorizes the Library to deposit and invest in the accounts of federally insured banks, insured credit unions and savings and loan associations; bonds and other direct obligations of the United States, or an agency or instrumentality of the United States; United States Government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the three highest classifications by not less than two standard rating services, which mature not more than 20 days after the date of purchase, and which involves no more than 50 percent of any one fund; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

E. Inventories

Materials and supplies are expensed as purchased.

MULLIKEN DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004
(Continued)
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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

F. Property, Plant and Equipment

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

A summary of the changes in general fixed assets follows:

	<u>03/31/03</u> <u>Balance</u>	<u>Additions</u> <u>(Deductions)</u>	<u>03/31/04</u> <u>Balance</u>
Land & Buildings	\$ 98,397	\$	\$ 98,397
Office Equipment	15,291		15,291
Books & Magazines	<u>132,428</u>	<u> </u>	<u>132,428</u>
Total Fixed Assets	<u>\$246,116</u>	<u>\$ </u>	<u>\$246,116</u>

G. Capitalization of Interest on Fixed Assets

Generally accepted accounting principles require that interest expenditures incurred during construction of assets be capitalized. They are capitalized only to the extent that interest cost exceeds interest earned on related interest bearing investments. The Library did not capitalize interest on fixed assets in the current year.

H. Accumulated Fund Deficits

There were no accumulated fund deficits in the individual funds at March 31, 2004.

I. Encumbrance System

The Library does not use an encumbrance system.

MULLIKEN DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004
(Continued)
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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

J. Allowance for Doubtful Accounts

The Library does not use an allowance for doubtful accounts.

K. Accrued Vacation and Sick Leave

The Library does maintain a sick policy, but it cannot be accrued from year to year.

L. Budgets

Annual operating budgets are adopted by the Library Board for the General Fund in accordance with Public Act 621 of 1978.

The Library follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Board submits a proposed operating budget for the fiscal year commencing the following January 1st. The operating budget includes proposed expenditures and the means of financing them for the General Fund.
- b. Public hearings are conducted by the Board to obtain taxpayer comments.
- c. Prior to March 31st, the budget is legally enacted on a departmental (activity) basis through passage of an appropriations act.
- d. Budget amendments are made by the Board as the need arises during the year.
- e. Formal budgetary integration is employed as a management control device during the year for all budgetary funds. Also, all budgets are adopted on a basis consistent with generally accepted accounting principles.
- f. Budget appropriations lapse at year end.

MULLIKEN DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004
(Continued)

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NOTE 2: CASH AND CASH INVESTMENTS

The Library's deposits are in accordance with statutory authority. The GASB Statement No. 3 risk disclosure for the Library's cash deposits are as follows:

	<u>Per Book</u>	<u>Per Bank</u>
Insured (FDIC)	\$ 40,464	\$ 34,547
Uninsured:		
Uncollateralized	<u> </u>	<u> </u>
Total	<u>\$ 40,464</u>	<u>\$ 34,547</u>

NOTE 3: EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Library's actual expenditures and budget expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Library for these budgetary funds were adopted to the activity level.

During the year ended March 31, 2004, the Library incurred expenditures in the General Fund which were in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Total</u> <u>Appropriations</u>	<u>Amount of</u> <u>Expenditure</u>	<u>Budget</u> <u>Variance</u>
General Fund:			
Books	\$ 10,000	\$ 10,281	\$(281)

MULLIKEN DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004
(Continued)

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NOTE 4: LONG-TERM DEBT

On January 11, 1999 the Mulliken District Library borrowed \$114,009.19 from Union Bank to build the Library Building. The maturity date is January 31, 2114, with an interest rate of 6.75%, and bi-annual payments of \$5,847.60 that are due on January 30th and June 30th of each year.

Changes in long-term debt is as follows:

Balance as of April 1, 2003	\$ 37,196
Principal paid	<u>(9,694)</u>
Balance as of March 31, 2004	<u>\$ 27,502</u>

Principal and interest payments for next five years are as follows:

2005	\$ 11,695.20
2006	11,695.20
2007	4,111.60
2008	-
2009	<u>-</u>
Totals	<u>\$ 27,502.00</u>

NOTE 5: RETIREMENT PLAN

The Library does not provide a pension plan for its employees.

NOTE 6: INDIVIDUAL FUND PRESENTATION

The General Fund is the only fund of its individual fund kind. Therefore, it is not presented in a combining statement in the supplemental data portion of this report.

NOTE 7: RELATED PARTY TRANSACTIONS

Nothing came to our attention during the audit effort that would warrant separate mention related to transactions between the Library and its employees and/or elected officials.

MULLIKEN DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004
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NOTE 8: SUBSEQUENT EVENTS

No subsequent events have come to our attention that require disclosure at this time.

NOTE 9: COMPARATIVE DATA

Comparative total data for the prior year has been presented in the accompanying financial statements since it was not practical to extend our auditing procedures into the prior year.

NOTE 10: TOTAL COLUMNS ON COMBINED STATEMENTS - OVERVIEW

Total columns on the Combined Statements - Overview are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

COMMENTS AND RECOMMENDATIONS

Barry E. Gaudette, CPA, P.C.
CERTIFIED PUBLIC ACCOUNTANT

1107 East Eighth Street
Traverse City, Michigan 49686
(231) 946-8930
Fax (231) 946-1377

Members of the Board
Mulliken District Library
Mulliken, Michigan

Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

This letter supplements the information in the Financial Statements and Notes to Financial Statements. It is intended solely for the use of management and the Library Board and should not be used for any other purpose.

Barry E. Gaudette, CPA, P.C.

June 24, 2004